

MINUTES
STATE BOND COMMITTEE
March 13, 2009

A meeting of the State Bond Committee was held at 1:05 p.m. on March 13, 2009 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present were:

Greg Winegar, Director of the Division of Investments, Department of
Commerce, Community & Economic Development
Kevin Brooks, Deputy Commissioner, Department of Administration
Jerry Burnett, Deputy Commissioner, Department of Revenue

Present telephonically were:

Cynthia M. Weed, K & L Gates
Debbie Schnebel, Scott Ballice Strategies

Also present in Juneau were:

Deven Mitchell, Debt Manager, Department of Revenue

I. Call to Order

Mr. Winegar called the meeting to order at 1:03 p.m. AST.

II. Roll Call

Mr. Mitchell took roll call. Mr. Brooks, Mr. Burnett and Mr. Winegar were present.

III. Public Meeting Notice

Mr. Mitchell stated the meeting notice was advertised in the State's Administrative Journal in the Online Public Notice.

IV. Approval of Agenda

The agenda was adopted with no modification.

V. Minutes of December 22, 2008 State Bond Committee Meeting

The minutes of the December 22, 2008 meeting were approved and adopted as submitted without objection.

VI. Public Comment

Mr. Winegar asked for public participation and comment. There was none.

VII. New Business

Resolution 2009-01

The resolution provides for the issuance and sale of general obligation bonds of the State in the aggregate principal amount of not to exceed \$165,000,000, as authorized by House Bill 314, and approved by the qualified electors of the State at the general election held on November 4, 2008; approving the sale of such bonds; and authorizing the Debt Manager to approve the interest rates, maturity dates and principal maturities for the bonds under the terms and conditions set forth herein. Mr. Mitchell asked Cynthia Weed to describe the resolution. Ms. Weed said the resolution provides for a competitive sale of the bonds. The sale is currently scheduled for April 2 but there is flexibility providing for a date anytime before June 11. If the market falls hard at the designated time, then the date will be adjusted to a time when the markets are in better shape. Mr. Mitchell, Mr. Burnett and Scott Ballice Strategies are delegated to analyze the bids and approve or accept the best bid. Mr. Mitchell mentioned his recent trip to New York to the rating agencies and stated the State's ratings are secure in an insecure environment. He felt Alaska has a strong position relative to a lot of other credits to withstand the economic downturn and the difficulty folks have been facing. He said Alaska has abundant reserves and conservative operating practices which should carry the state well through these difficult times. Mr. Mitchell said he had asked for the new rating reports by March 17, 2009 and he would provide them for the POS. Mr. Burnett moved that State Bond Committee Resolution 2009-01 be approved. Mr. Brooks seconded. Mr. Mitchell took the roll and the motion passed with three yes votes. Mr. Mitchell added that as the date of the proposed sale comes closer someone might want to let the Governor's Office know of the sale to report the information to the public.

Resolution 2009-02

The second item of business was Resolution 2009-02 that amends the manner of exercise for the tender option of the Alaska International Airports System Variable Rate Demand Revenue Refunding Bonds, Series 2009A in the Daily Mode. Mr. Mitchell explained this really related to a shift in the timing so that we could shift to 11 am for the delivery because Fidelity had concerns that a tender in the daily mode wouldn't provide enough time to adequately

accomplish the tender so they requested an adjustment from 10 am to 11 am Eastern time. Fidelity was a very large holder of several State of Alaska bond issues. The request came in after the bond resolution was adopted but we agreed to amend the bond resolution the next time we had a regular meeting. Ms. Weed said this should have no direct impact on the State or on the marketing of the bonds whatsoever. It is just a housekeeping issue coming from Fidelity Investments. This is required in order to keep us on their permanently approved list. Mr. Brooks moved State Bond Committee Resolution 2009-02 be approved. Mr. Burnett seconded. Mr. Mitchell took the roll and the motion passed with three yes votes.

VIII. Debt Manager's Report

Mr. Mitchell reported on the following items not covered in the March 13, 2009 agenda:

Goose Creek Correctional

Mr. Mitchell reported that on the date the State Bond Committee last met the Matanuska Susitna Borough bonds were priced that day. The sale netted a project fund deposit of \$240,000,000 and all in true interest cost was 5.955391%, The three top buyers of the bonds comprised 55% of the deal which is abnormal in these times. He stated it was a successful sale in as much as the funding goals of the state were met, but that if we could have waited the state would have benefited from a more successful sale in a more favorable market.

Alaska International Airport System

Another topic Mr. Mitchell reported on was the International Airport System. He stated that on January 8, 2009 the 2006 C variable rate bonds of the System were restructured to replace the bond insurance/standby bond purchase arrangement with letter of credit. The final pricing on December 30, 2008 under the old structure was at 6.4859%, and the first pricing under the new structure on January 8 was .55%. The average rate on the bonds since restructuring has been .56922, and the lowest interest rate has been .5023%.

Mr. Mitchell added he has also been involved in determining means of providing rate relief to AIAS users from certain reserves, but still complying with the rate covenant. An approach has been identified and action is being formulated for implementation to provide rate relief in both FY 2009 and FY 2010.

Legislation

HB 161 would authorize the use of certificates of participation to fund a portion of a new office building in Juneau. The funds would compliment Alaska Mental Health Trust investment to provide for needed office replacement. The

proposed maximum size is \$25 million which at 5.5% interest rate would result in annual debt service of just over \$2 million for 20 years.

Rating Agencies

On March 5 and 6 Commissioner Galvin, Jerry Burnett and Mr. Mitchell travelled to New York City to meet with rating agency analysts and investment bankers. The meetings centered around providing assurance that the State was well positioned to withstand the impacts of the economic downturn and declare our continued belief that Alaska belongs in the highest rating category. Portions of the message seemed to resonate with the analysts and we minimally expect a stable maintenance of the current rating.

IX. Committee Members Comments

There were none.

X. Scheduling of Next Meeting

The next meeting will be at the call of the chair. There has been some talk of a COP for the new State accounting system and the Revenue Tax Division wants a new Tax Information System for \$23,000,000. If these things pass, they may prompt a meeting sooner rather than later.

XI. Adjournment

There being no further business, without objection Mr. Brooks moved the meeting be adjourned. The meeting adjourned at 1:28 p.m.

Emil Notti, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Patrick Galvin, Commissioner
Department of Revenue
Secretary